

THE WASHINGTON POST

5 June 1979

Article appeared
on page B-15

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Shah of Iran Culprit in High Oil Prices

The real culprit behind the great oil rip-off is identified in secret intelligence reports as the shah of Iran. The documents reveal that he clamored for higher oil profits to finance his dreams of glory.

The shah's agitation and the Nixon administration's acquiescence, according to the documents, led to the devastating oil price increases of October 1973 and January 1974. The western world still hasn't recovered from the economic impact.

Saudi Arabia, whose rulers feared a backlash against the Organization of Petroleum Exporting Countries (OPEC) oil cartel, tried to stop the price rise. The Saudis appealed to the Nixon administration to help persuade the shah to listen to reason.

As late as July 1974, after the extortionary increases had already been imposed on the world, the Saudis offered to sell their oil at public auction to force prices back down. Yet unaccountably, President Nixon and his foreign policy whiz, Henry A. Kissinger, never used their tremendous influence with the shah to stop the ruinous oil gouge.

The result was reported on Aug. 30, 1974, by the Central Intelligence Agency: "Riyadh called off an oil auction that would have lowered the price of oil." The Saudis were unwilling to stand alone against the other oil-selling nations. As the CIA explained in a top-secret dispatch: "The Saudis are unlikely to risk political isolation and a breakup of OPEC."

From Riyadh, U.S. Ambassador James Akins reported that Saudi oil minister Ahmed Zaki Yamani had complained to him about Kissinger's

strange reluctance to intervene with the shah. Yamani alleged that Kissinger "is speaking about lower oil prices but in secret doing everything possible to jack them up."

In a secret memorandum for the file, the ambassador revealed: "The Saudis had urged us on numerous occasions to put pressure on the shah to cooperate with Saudi Arabia and reduce the oil prices. Yet we had refused to do this."

Kissinger explained to us that he was aware of the Saudis' offer but doubted their sincerity. "My belief was," he said, "that the Saudis did not want to get prices down but wanted to place the onus for the price rise upon the shah."

Yet intelligence documents, including intercepted messages, strongly indicated that the Saudis meant what they were saying. These secret reports should have been available to Kissinger.

On the eve of the 1975 oil ministers' meeting, for example, the CIA reported: "Saudi Arabia and Iran apparently remain seriously divided on the issue of an OPEC oil price rise in the fourth quarter."

"The Saudis may attempt to thwart an increase at the OPEC conference on Sept. 13, although we believe other members will try to work out a compromise."

"Ambassador Akins was informed by Saudi oil minister Yamani on Wednesday that Riyadh had decided it must hold the line against any price increase. Yamani said he told the shah's adviser, Amouzegar, that if Iran insists on a large price increase, the Saudis would sell at current prices and sharply increase production, even at

the risk of splitting OPEC."

"Reports from several reliable sources and recent intercepted messages," the CIA stressed, "add credibility to Yamani's statements."

By this time, the shah had already succeeded in quadrupling oil prices, but he still wasn't satisfied. His sales had declined in 1975, and his revenue wasn't keeping up with his spending.

Reported the CIA on Sept. 28, 1975: "Iran is a leading proponent of an OPEC price rise and is generally thought to favor a jump of 15 to 20 percent. Saudi Oil Minister Yamani reportedly has counseled King Khalid and Prince Fahd against an increase at this time."

However, the CIA cautioned: "The Saudis could prevent an OPEC price increase, but they are unlikely to accept the political costs of such a move."

The shah lobbied with other oil governments, meanwhile, to drive up prices. Reported the CIA two days later: "The shah's adviser, Amouzegar, met with Venezuelan President Perez in Caracas earlier this week to line up support for a price rise."

"Perez suggested that Amouzegar, along with the petroleum ministers of Venezuela and Algeria, try to convince the Saudis to change their position on the price issue."

In the end, a compromise was reached, and the oil cartel adopted a 10 percent increase. But it was the shah, once again, who led the agitation for higher oil prices.

This raises the mystifying question: Why didn't Nixon and Kissinger restrain the shah, since they had the political muscle to do it?

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